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ACQUISITION REFORM:
*Where We've Been;
Current Legislation and Initiatives;
and Where We're Going*

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**"ACQUISITION REFORM:
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by
Lt Col Wesley A. Ballenger, Jr., USAF

ABSTRACT

New and innovative approaches are needed throughout government; we must search for *revolutionary* changes, not just *evolutionary* changes. A key area ripe for innovation lies in reforming the defense acquisition system -- how we develop and acquire goods and services for our nation's defense. Overall, the U.S. government spends over \$200 billion on procurement every year, a major portion of this amount being spent by the Department of Defense. With billions of dollars at stake, shaving even small percentages off the total quickly equates to millions of dollars in savings. However, when we consider *revolutionizing* defense procurement (rather than small, incremental changes) the potential savings rise to the billions.

The *aim of this research paper is to examine efforts underway to reform the defense acquisition system, and identify future challenges in defense acquisition.* The primary focus of this paper is on current (1994 and 1995) initiatives and legislation, but it also includes sufficient historical perspective to put today's issues into the broader temporal context. After briefly summarizing past efforts in acquisition reform, this paper discusses the Clinton Administration's initiatives in reforming defense acquisition. These initiatives include several Process Action Teams (PATs) focusing on specific aspects of acquisition, and the enhanced Joint Requirements Oversight Council (JROC), which is searching for ways to revolutionize military affairs. The paper then presents key aspects of the recent Federal Acquisition Streamlining Act of 1994, as well as pending legislation in 1995.

This paper concludes by summarizing future challenges that will be facing defense acquisition in the coming years. We must continually strive to adopt commercial business practices where appropriate, reduce the cycle time to field new weapon systems, provide stable funding to our programs, and intensify our focus on cost and affordability. We must seek out ways to revolutionize our business practices -- requiring that we break out of old paradigms to discover new and innovative ways to do things.

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INTRODUCTION

"Don't try to reform the current system...It is hopeless. It is impossible."

- Newt Gingrich, Speaker of the House, February 1995

In this era of seemingly constant change, the pressure to "do more with less" permeates the government. Vice President Gore's National Performance Review went a step further, noting that the time is ripe to not just try to "do more with less," but rather to reinvent government and reengineer outdated governmental processes. New and innovative approaches are needed throughout government; we must search for *revolutionary* changes, not just *evolutionary* changes.

A key area ripe for innovation lies in reforming the defense acquisition system--how we develop and acquire goods and services for our nation's defense. Overall, the U.S. government spends over \$200 billion on procurement every year [MALONEY 95], a major portion of this amount being spent by the Department of Defense. Many have charged that countless federal procurement dollars continue to be wasted due to bloated bureaucracies, unnecessary red tape, and outdated business practices. With billions of dollars at stake, shaving even small percentages off the total quickly equates to millions of dollars in savings. However, when we consider *revolutionizing* defense procurement (rather than small, incremental changes) the potential savings rise to the billions.

WHERE ARE WE HEADED WITH ACQUISITION REFORM?

The *aim of this research paper is to examine efforts underway to reform the defense acquisition system, and identify future challenges in defense acquisition*. My primary focus will be current (1994 and 1995) initiatives and legislation, but I'll also include sufficient historical perspective to put today's issues into the broader temporal context. After briefly summarizing past efforts in acquisition reform, I'll discuss some of the Clinton Administration's initiatives in reforming defense acquisition. These initiatives include several Process Action Teams (PATs) focusing on specific aspects of acquisition, and the enhanced Joint Requirements Oversight Council (JROC), which is searching for ways to revolutionize military affairs. I'll then discuss some key aspects of the recent

Federal Acquisition Streamlining Act of 1994, and illuminate its key provisions. Finally, I'll summarize what I believe are the future challenges that will be facing defense acquisition in the coming years.

HISTORICAL PERSPECTIVE OF ACQUISITION REFORM

Acquisition reform is neither a new idea nor a product of the 1990s. Dating back to the American Revolution, our nation has looked to private industry to supply key resources needed to ensure our national security. Over time, individuals and firms have been charged with abusing the federal procurement system for personal gain. An excellent overview of the historical perspective of acquisition reform is contained in "Defense Acquisition Reform: Behind the Rhetoric of Reform--Landmark Commissions Lessons Learned," by Edward Bair [BAIR 94].

In his paper, Bair briefly discussed past attempts at reforming the defense procurement system. These past initiatives include the major attempts at acquisition reform as shown in Chart 1.

Chart 1: Major Attempts to Reform Acquisition

- | | |
|-----------|--|
| ◆ 1947 | National Security Act of 1947 |
| ◆ 1949 | Hoover Commission on the Organization of the Executive Branch (Hoover I) |
| ◆ 1953 | Rockefeller Committee |
| ◆ 1953-55 | Hoover Commission on Organization of the Executive Branch (Hoover II) |
| ◆ 1970 | Fitzhugh Commission |
| ◆ 1972 | Commission on Government Procurement |
| ◆ 1982-83 | President's Private Sector Survey on Cost Control (Grace Commission) |
| ◆ 1985-86 | Blue Ribbon Commission on Defense Management (Packard Commission) |
| ◆ 1994 | Federal Acquisition Streamlining Act of 1994 |

Focusing on post-World War II actions, the National Security Act of 1947 consolidated three executive departments (Army, Navy, and Air Force) into a single agency headed by a civilian Secretary of Defense (SECDEF), who was to be "the principal assistant to the President in all matters relating to the national

security" [NSA 47]. This law vested the SECDEF with the authority to establish policies and programs for the agency and to exercise control over them. The SECDEF was also chartered to execute "appropriate steps to eliminate unnecessary duplication or overlapping in the fields of procurement, supply, ... and research." [NSA 47] As noted by Bair, "The NSA of 1947 legislated the structural underpinnings that we still operate with today in defense acquisition -- centralized civilian control and policy decision authority, especially over R&D and procurement expenditures." [BAIR 94]

Landmark commissions in the late 1940s and 1950s repeatedly proclaimed the nation's taxpayers were not getting their money's worth of defense. These commissions frequently cited waste and inefficiency, and called for strengthening the SECDEF's authority and control over the military Services' expenditures.

In the 1970s, the focus of acquisition reform debates picked up a new dimension. No longer focusing primarily on just common supplies and services, the procurement of major weapon systems emerged as a growing concern. In 1969, Congress created the Commission on Government Procurement to conduct a comprehensive review of all federal procurement. This commission reported that no policy leadership existed to coordinate procurement policy across the executive branch, so DoD tended to dominate the procurement policy development (due to its large expenditures). To remedy this leadership void, the commission recommended creating a central Office of Federal Procurement Policy. As noted by Bair, "The Commission's results had lasting effect on the acquisition process: Office of Federal Procurement Policy created (1974), Contract Disputes Act enacted (1978), Federal Acquisition Regulation system established (1980), Competition in Contracting Act enacted (1984), and legislative formation of the Federal Acquisition Institute (1993)." [BAIR 94] Since this commission was established in 1969, changes were not very quick to be implemented. However, important groundwork for change was laid.

The Packard Commission was appointed by President Reagan in 1985 to study defense management and acquisition. Key recommendations of the Packard Commission included creating an Under Secretary of Defense for Acquisition to oversee all defense acquisition, and establishing Service

Acquisition Executives and Program Executive Officers in a new, streamlined management structure to reduce the supervisory layers from a program manager to the Defense Acquisition Executive.

In addition to these major, landmark attempts at reforming defense acquisition, numerous micro-level studies have been conducted focusing on some specific aspect of the defense acquisition process. These include the additional studies illustrated in Chart 2.

Chart 2: Additional Studies on Defense Acquisition

- ◆ 1962 Harvard Business Study
- ◆ 1969-70 Packard Initiatives
- ◆ 1974 Military Services and SECDEF Study
- ◆ 1975 Acquisition Advisory Group
- ◆ 1977 Defense Resources Management Study
- ◆ 1978 Defense Science Board Study
- ◆ 1981 Carlucci Initiatives
- ◆ 1982 Special Panel on Defense Procurement Procedures
- ◆ 1985-87 Center for Strategic and International Studies
- ◆ 1989 Defense Management Review
- ◆ 1992 BENS Commission
- ◆ 1993 Section 800 Panel

Although each of the studies and commissions cited above contained its own unique focus, Bair noted that some *common themes and principles* were embodied in all the landmark commissions over the past several decades, and these are shown in Chart 3.

Chart 3: Constant Principles Embodied in Past Landmark Commissions

- ◆ Increased centralized policy authority and oversight
- ◆ Decentralized and flexible execution management responsibilities
- ◆ Need for stability in defense funding, planning and acquisition
- ◆ Reduction of acquisition infrastructure with improvements in quality of workforce
- ◆ Diminution of political externalities
- ◆ Foster competition
- ◆ "Commercialization" of acquisition practices
- ◆ Increased emphasis on prototyping and early-on testing

Source: [BAIR 94]

Many of these principles are still embodied in acquisition reform initiatives today. The commercialization of acquisition practices is at the heart of many efforts currently underway, including the trend toward electronic commerce, using plastic "purchase cards" for small purchases, and eliminating government-unique specifications and standards. Also, the emphasis on improving the quality of the acquisition workforce was captured in the Defense Acquisition Workforce Improvement Act (DAWIA), Public Law 101-510 dated 5 November 1990.

With this broad view and historical perspective of acquisition reform over the last five decades, let's examine today's environment and the forces at work shaping the current and future defense acquisition system.

TODAY'S ENVIRONMENT

"DoD's acquisition system is governed by a complex web of laws, regulations, and policies, adopted for laudable reasons over many years. While each rule individually has (or had) a purpose for its adoption, it may add little or no value to the product itself. The collection of rules, especially if applied narrowly without consideration of the specific circumstances, can prevent the system from operating efficiently."

- Charter for the Process Action Team on the Contract Administration Process, October 1994

FORCES AT WORK

Government and military leaders today face tough decisions on how best to allocate scarce financial resources. From a top-level perspective of the acquisition of major weapon systems, **how will we decide which major weapon systems to invest in for the future of our military?** How can we overcome individual military Service parochialism and arrive at wise investment decisions that will be responsive to the way we plan to fight future wars--jointly? Hand in hand with this dilemma is deciding which proposed weapons *not* to buy.

To examine the current environment and identify some challenges facing defense acquisition, this section will first discuss the nature of government acquisition in general. Then some challenges

will be analyzed -- including the post-Cold War defense draw down; declining defense budgets; commercialization of the defense industrial base; and political pressures from Capitol Hill.

The Nature of Government Acquisition

A key distinguishing feature of government acquisition -- as compared with private industry -- is that **fairness** and **equity** are the primary guiding principles to ensure **equal access** by all competitors to government procurements. Today's acquisition system is characterized by its layer upon layer of legislation and regulation which set ever-tighter restrictions and guidelines. Each successive layer strives to remedy a perceived past injustice or loophole which allowed taxpayer dollars to be wasted, or some person or firm to be treated unfairly.

In private industry, where the final measure of success is profit, **efficiency of operations** tends to be the guiding principle rather than fairness or equity. This is not to imply that private industry isn't keenly interested in fairness, too. Private industry is motivated primarily by profit, and therefore firms are continually searching for ways to cut costs, increase sales, and boost profits. Competition is fierce in the marketplace, and business firms continually seek advantages over their competitors.

Frustration occurs when one steps back and looks at the government acquisition system through the eyes of a corporate Chief Executive Officer. From this perspective, it appears to be too large, cumbersome, lethargic, and complex. It takes **far too long** and **far too much money** to follow **far too many rules** to acquire things. Hence, the impetus for acquisition reform.

Major weapon system acquisitions account for the largest share of defense procurement dollars, but not the largest number of contract actions. Acquisition reform initiatives tend to be targeted in one of two key areas: the few, large, multi-million dollar contracts for major weapon systems, or the millions of smaller contract actions used to buy supplies, repair parts, consumables, and services. The first category -- major weapon systems -- contains its own unique aspects and therefore reform initiatives frequently address these types of procurements separately, as does the Federal Acquisition

Streamlining Act of 1994. The latter category -- many small dollar value contracts -- affects not only DoD but the rest of the federal government. Therefore, many reform initiatives attempt to address acquisition reform as a coordinated overhaul of *all* government procurement, not just defense. The Office of Federal Procurement Policy, located within the Office of Management and Budget, is charged with orchestrating procurement policy and trying to standardize procurement policy and procedures across the federal government.

Downsizing Defense After the Cold War

The world has indeed seen sweeping global changes within the past decade. For U.S. military leadership, the key distinguishing feature has been the breakup of the Soviet empire. In many respects, it was very convenient to have a single, monolithic enemy that everyone could clearly see as "the bad guy." The existence of a common enemy helped us gain not only domestic support for the military buildup of the Reagan administration, but helped us build and cultivate strong international coalitions such as NATO.

Having been weaned from the Reagan years of ever-increasing military budgets, the declining budgets since the mid-1980s have been a driving force in determining which issues will be debated and which programs will endure. Clearly, the big decisions facing our national leadership involve the allocation of scarce resources.

Defense Competing for Dollars in Tight Federal Budgets

The "big-ticket" items in the U.S. budget today include defense, health care, interest on the national debt, and the "mandatory" and "untouchable" entitlement programs. The defense portion of the budget is the largest single item of discretionary spending, and therefore has traditionally been the biggest target for budget cutters. As a recent guest speaker reminded the audience at the National War College, the U.S. still spends as much on defense as all the countries in the rest of the world combined.

In order to minimize the declining defense budget's toll on *contemporary* military readiness, the biggest budget cuts have been in the procurement accounts (investment in *future* capability).

According to Defense Week, the chairmen of the two House budget committees charged that the Clinton administration's proposed budget for FY 1996 was at "a funding level for weapons procurement which is the lowest of any administration since 1950." The two congressional leaders, in a "Dear Colleague" letter to fellow members of Congress, charged that "the proposed procurement budget is 71 percent less (adjusted for inflation) than that in fiscal 1985, the Reagan build-up's zenith" [CAPACCIO 95]. Defense Week also observed that although there is a 71% real decline in defense procurement from FY 1985 to FY 1996 (from \$135.7 billion to \$39.4 billion), FY 1996 is the "rock-bottom" year for defense procurement. From FY 1996 thru FY 2001, current plans are for an increase in defense procurement spending from \$39.4 billion in FY 1996 to \$67.3 billion in FY 2001. According to Defense Week, historical procurement trends show that from fiscal years 1985 to 1996 procurement of ships, aircraft, and tanks has been sharply reduced, as shown in Chart 4.

In addition to procuring fewer major weapon systems, reducing the size of the government workforce is crucial to trimming defense expenditures. Many of the acquisition reform initiatives are seeking to streamline the process so it will require fewer people. Initiatives such as electronic commerce and raising the simplified acquisition threshold will not only speed the procurement process and reduce paperwork, but will also equate to savings by trimming the procurement workforce.

Chart 4: Historical Procurement Trends

<u>Commodity</u>	<u>Quantities Procured by Year</u>			<u>% Decrease</u>
	<u>FY 1985</u>	<u>FY 1990</u>	<u>FY 1996</u>	
Ships	29	20	7	76%
Aircraft	943	511	106	89%
Tanks	720	448	100	86%

Source: Defense Week, 6 Feb 95

Commercialization and The Defense Industrial Base

The economy of the United States--that great engine that underwrites our prosperity -- is inextricably intertwined with the rest of the world. While it may at first glance seem appealing to invoke a nationalistic "buy American" attitude, the interdependent global economy doesn't work quite that simply. Strategic vision must overcome myopic protectionism to examine the long-term impacts of trade policy and restrictions--for both domestic and military goods. As our defense budget declines, our nation's defense industry would like to sell their wares in the lucrative international arms market. However, there's still a need for export restrictions to protect key military technologies from proliferating around the globe. The United States must exercise care regarding sales of critical technologies, for the international arms market can enable our own weapons to be used against us in a future conflict. Today's friend could end up being tomorrow's enemy.

Recently, the debate has focused on how we might loosen the reins on industry. The Washington Post reported in late 1994 that several alternative draft policies were on President Clinton's desk, awaiting a decision which could have a significant effect in this area [SMITH 94]. The defense industry has been lobbying heavily for a more lenient and permissive arms sales policy, arguing that relaxing restrictions on sales abroad will help keep the U.S. industrial base from eroding too fast.

On February 17, 1995, the Clinton Administration announced a key decision to allow sales of fighter jets and other high-tech weapons to 10 countries of the former East Bloc [PRIEST 95]. This decision is notable first because it reverses a post-Cold War policy of selling only defensive (vice offensive) and predominately "low-tech" weapons to the former East Bloc nations (Hungary, Poland, the Czech Republic, Slovakia, Latvia, Lithuania, Estonia, Romania, Bulgaria, and Albania). As the possible expansion of NATO is debated, administration officials have realized that potential new NATO members must be able to contribute militarily. According to the Washington Post, "Secretary of State Warren Christopher and other officials have said members seeking the alliance's security guarantee must be able to contribute to the alliance. Arms sales to them will help." [PRIEST 95]

Separately, the Clinton administration announced a new arms export policy on 17 February 1995 which explicitly says that U.S. embassy personnel will help private firms market and bid on

defense contracts overseas. Eric Newsom, a Deputy Assistant Secretary of State, said "Once a decision [to sell arms to a country] has been made on national security grounds...then it is important that U.S. defense firms receive the support of the United States government in making that sale. A fundamental point here is that we see support for a strong sustainable U.S. defense industrial base as a key national security concern...rather than as a purely commercial matter." [PRIEST 95].

An example of a major stakeholder in such a decision to open up additional overseas markets is the Lockheed-Martin Corporation, which produces F-16 fighter jets. In addition to the U.S. Air Force, 16 other countries have either acquired or ordered F-16s. To date, 3,469 F-16s are currently in use world-wide and another 3,956 are on order [PRIEST 95].

Legislative Kibitzing

Even if you assume a perfect strategy-to-task requirements analysis and unanimous agreement among the Services, JCS, and OSD on a particular program, the "wild card" is still Congress. Legislative "help," restrictions, add-ons, oversight, funding cuts, and (yes, sometimes even) pork still pose one of the most formidable challenges to major weapon systems.

The "big-ticket" acquisition programs, such as the C-17, B-2, and F-22 will continue to come under intense scrutiny. In the case of the B-2, some members of Congress believe there is a gap between DoD's stated strategy (of relying on bombers to carry out much of the front-end battle in a major regional conflict) and where DoD is putting its money (capping B-2s at 20 planes, retiring B-52 bombers and drawing down the B-1 force) [RESOLVE 94]. In addition to demanding an updated "bomber roadmap," Congress appropriated over \$100 million in unrequested fiscal year 1995 funds to keep the B-2 production line warm in case the updated roadmap illuminates a need to buy more.

A new wrinkle in the Congressional dimension in acquisition has yet to fully unfold -- the newly-elected Republican Congress. Although widely perceived to be more supportive of defense issues, the new Congress still has some tough budget choices to make.

As the first Republican Congress in 40 years takes shape, some divergent views between the new Congress and the Democratic administration are likely to emerge. The new Chairman of the House Budget Committee, Representative John Kasich (Republican from Ohio), indicates that the Pentagon will continue to do business under a microscope. According to The Washington Post, Congressman Kasich stated, "I believe that the Department of Defense ought to be reinvented like the rest of this federal government." [KASICH 94] The new Speaker of the House, Newt Gingrich (Republican from Georgia) is even more critical of acquisition. According to the Wall Street Journal, Speaker Gingrich said "Don't try to reform the current system [of Pentagon procurement]. It is hopeless. It is impossible." [RICKS 95] According to Defense News, Democratic Senate Armed Services Committee professional staffer John Douglas said, "Some of the streamlining we wanted to do last year was blocked by some of the old leadership who are now gone. So, there'll be some new blood and alliances between Republicans...and Democrats who want to see acquisition reform..." [LOVECE 95]

CLINTON ADMINISTRATION'S EMPHASIS ON ACQUISITION REFORM

"... you cannot reorganize or reengineer an entity or enterprise unless it reaches the crisis stage. We in DoD are at that crisis stage. We simply cannot continue to conduct business the way we have in the past. We won't have the people to do it; we don't have the money to do it"

- Mrs Colleen Preston, DUSD(AR) [PRESTON 95A]

When the Clinton administration ascended to power in January 1993, acquisition reform was one of their key agenda items. A new position was created in the Pentagon's hierarchy to lead the charge -- the Deputy Under Secretary of Defense for Acquisition Reform (DUSD(AR)). The first person to hold this title is Mrs Colleen Preston. Mrs Preston brought along her experience in working acquisition reform from Capitol Hill, where she served as the General Counsel for the House Armed Services Committee. As such, she was already quite familiar with the Section 800 panel report on defense acquisition that was being prepared in the DoD.

In April 1993, the new Secretary of Defense Les Aspin "fired" several top acquisition officials based upon a January 1993 report by the DoD Inspector General alleging mismanagement of the C-17

program. The Acting Secretary of the Air Force prepared a detailed rebuttal to the Inspector General's report, and to this day the two reports have never been reconciled. Many believe the firings were primarily for political effect; i.e., sending a strong "acquisition reform" message. The C-17 was a lightning rod for criticism in 1993, and came under intense scrutiny from all directions in 1993. The C-17 also served as a catalyst to spur a continued focus on the need for acquisition reform.

The Clinton Administration has tackled the challenge of reforming defense acquisition on several fronts. First, this section will discuss the five special process action teams, or PATs, that have examined defense acquisition processes in search of better ways to do our business. Second, this section will look at the enhanced Joint Requirements Oversight Council (JROC) and how it is searching for ways to revolutionize military affairs.

PROCESS ACTION TEAMS (PATs)

In order to take a more detailed look at how the DoD does business, several key Process Action Teams were chartered to examine specific aspects of defense acquisition. Each PAT was composed of functional experts and key stakeholders in the process, and had broad license to develop recommendations on how to "re-invent" or "re-engineer" their respective processes. The five key defense acquisition PATs established to date are shown in Chart 5:

Chart 5: Process Action Teams

- ◆ Electronic Commerce/Electronic Data Interchange
- ◆ Military Specifications
- ◆ Oversight & Review
- ◆ Procurement Process
- ◆ Contract Administration Process

Electronic Commerce/Electronic Data Interchange (EC/EDI)

How can we transform mountains of cumbersome, time-consuming contracting paperwork into a streamlined, near-instantaneous process using available computer automation? This was part of the challenge of the EC/EDI PAT's charter. The PAT completed its report in January 1994, and implementation plans are well underway. The growing emphasis on commercial practices, coupled with advances in information technology, surfaced the fact that DoD had no standard approach to EDI to facilitate electronic commerce. The EC/EDI PAT charter focused on the following items:

1. Enhance small business access on request for quotations, \$25,000 or less, and assure capability to support requirements of up to \$100,000
2. Present a "single face to industry" for commercially available products, including a standard data exchange business format and a single point of entry
3. Assess current DoD EC in contracting
4. Identify risks, benefits, policy issues, and educational requirements
5. Prepare a Phase Two Implementation Plan

A key driving factor was the need to present a "single face to industry" instead of having each of the myriad procurement offices nationwide adopt its own individual standards. The PAT noted that this would necessitate relying on commercially available products instead of developing some government-unique system. Standard data formats and consistent rules for exchanging information needed to be laid out. To make EC/EDI as "user-friendly" as possible and to make it easier for firms to do business with the government, a "single point of entry" into the computer network would be needed. This eliminates a firm's need to call hundreds of different numbers to seek out potential government customers; one call does it all.

Recognizing the importance of quickly getting into electronic commerce, the Deputy Under Secretary of Defense for Acquisition Reform tasked the Defense Information Systems Agency (DISA) to create an EC/EDI infrastructure to support electronic procurements in the future. Additionally, the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence directed DISA

to create an infrastructure based on standards to support all EC/EDI initiatives. DISA established a program management office (PMO) to manage the overall process, including developing a master implementation schedule, detailed milestones, vendor registration, and certification. Current plans are to implement electronic commerce capability at 244 sites between September 1994 and August 1996, with 133 of these being complete in February 1995. The DISA PMO is working to get the word out and to educate potential suppliers via conferences, the Small Business Administration, various resource centers, and a toll-free help line.

The Federal Acquisition Streamlining Act of 1994 requires that 75% of small purchases be awarded electronically within 5 years. DoD's goal is for 80% of DoD small purchases to be awarded electronically within 2 years. In addition, many program offices which manage large weapon system acquisitions are also going online, sharing data, requests for proposal, specifications, and other contract documentation electronically.

Military Specifications

Recognizing the need to move away from a defense-unique industrial base and increase reliance on commercial products and processes, a PAT was chartered to review military specifications and military standards. The PAT completed its report in March 1994, and the SECDEF signed a memo in June 1994 stating the revised policy de-emphasizing MIL-STDs and MIL-SPECs. Dr Perry directed that instead of using MIL-STDs and MIL-SPECs, we would use best commercial standards and international standards. He further directed that MIL-SPECs and MIL-STDs only be used on a by-exception basis, and their use must be justified in each case.

As a recent example, "... the Air Force reduced the number of MIL-STDs and MIL-SPECs compliance documents from 150 to 2 when it contracted for the Space-Based Infrared System which increased performance over the existing Defense Support Program satellite system. The Air Force now relies on international and best commercial practices standards for the new system." [KELMAN 95A]. This concept of reducing reliance on government-unique specifications can also be applied to small

purchases and consumer items, such as salad dressing. According to Steven Kelman, Director of the Office of Federal Procurement Policy, "For many years, the government has spent enormous time and money developing its own specifications for common user items. Often, ordinary commercial products were unable to meet every detail of these specifications. The bizarre result was that only suppliers producing products specifically for the government were able to compete. Rather than having access, say, to commercial brands of salad dressing, the government ended up ... paying more and not getting the benefits of quality that had proved itself with consumers." [KELMAN 95A] Dr. Kelman noted that by switching to ordinary commercial items, savings of 5 to 10 percent were being reported. Furthermore, this enables government buyers to employ just-in-time delivery from commercial suppliers, eliminating the need for large inventories and large warehouses. "Walter Reed Hospital, for example, has been able to cut its food inventory levels in half, close a storage facility, and get rid of two refrigerated trucks. In one year at Fort Lee, Virginia, food inventories were reduced from \$585,000 to \$32,000, and the facility was able to close down its warehouse." [KELMAN 95A]

Oversight and Review

The Oversight and Review PAT was chartered by SECDEF Perry to "...develop within 90 days, a comprehensive plan to reengineer the oversight and review process for systems acquisition, in both components and OSD, to make it more effective and efficient, while maintaining appropriate level of oversight." The PAT hammered out its definitions of "oversight" and "review" to help guide their actions. The PAT defined **oversight** as the *continuous process* of monitoring program execution between phases, and **review** as the *discrete process* of gathering and evaluating information to make a decision about a program.

The PAT noted that different programs warrant different levels of oversight, based on factors such as program risk, complexity, the experience level of the program manager, funding, and past problems. Based on these, the amount of information flow for oversight should be tailored to the program. Accordingly, the amount of documentation and level of review (i.e., Defense Acquisition

Executive, Service Acquisition Executive, Designated Acquisition Commander) should be tailored to program needs. The PAT recommended replacing the documents, reports, and certifications listed in DoD Instruction 5000.2 with a minimum set of documents tailored to each program.

The PAT also recommended restructuring the milestone decisions and phases. It would reduce the current milestones defined in DoD Instruction 5000.1 to three:

- **Milestone A, Need Validation** (followed by Concept Exploration phase)
- **Milestone B, Program Initiation** (followed by Development phase)
- **Milestone C, Production** (followed by Production phase)

The PAT recommends that for Acquisition Category (ACAT) I programs (the largest acquisition programs), the Deputy Secretary of Defense be the decision authority for program initiation. This might lend some longer term stability and commitment once a program is begun, since the DEPSECDEF also serves as the Chairman of the Defense Resources Board. The PAT noted that it might be useful to establish a Joint Acquisition Executive on a trial basis to oversee joint programs, as well as establishing Joint Program Executive Officers for certain mission or product areas. In the area of contractor oversight, the PAT recommended adopting self-governance for proven contractors, and emphasizing a contractor's past performance as the dominant factor in source selections.

The Oversight and Review PAT articulated four "stretch goals", or visionary goals that are beyond our immediate reach but could be achievable with innovation. The PAT's first goal is to reduce the percentage of breach programs to no more than 5%. Currently, about 40% of ACAT ID programs are in breach status (not meeting cost or schedule thresholds), and the number has been around 40%-50% since 1992. The PAT's second goal is to reduce cycle time by 50%, from the current average cycle time of 8-12 years to 4-6 years. Recognizing the speed of technological change and the need to be responsive to warfighters' needs, the cycle time to field weapon systems must be reduced. The third goal is to reduce the number of people in oversight and review process by 50%. The number of people involved in the process today is staggering, and it bogs the system down and increases costs significantly. The fourth goal is to reduce the cost of reviews by 50%, since the cost of milestone reviews can be as much as \$8 to \$12 million dollars. [PAT 95]

Procurement Process

The Procurement Process PAT was chartered by SECDEF Perry to "...develop within 90 days, a comprehensive plan to reengineer specific elements of the procurement process within DoD to make it more efficient and effective, while balancing the nation's social and economic goals and ensuring the integrity of the procurement process."

This PAT divided its work into three sub-teams: Sub-Team A focused on determining how to identify and disseminate best procurement practices throughout DoD; Sub-Team B analyzed how to improve the sole source proposal preparation, evaluation, and negotiation process; and Sub-Team C studied how to streamline the competitive source selection process. The results of this PAT have been briefing internal to the Pentagon and are being reviewed for future implementation.

Contract Administration Process

The Contract Administration Process PAT was chartered to begin on 17 Oct 94, with a final product due within 90 days. The team was tasked to deliver an interim report to the Acquisition Reform Senior Steering Group (ARSSG) and to the DUSD(AR) within 30 days, and a draft final report within 60 days. The PAT's recommendations are to be coordinated within the military departments, the defense agencies, and OSD, and the final report will be given to the USD(A&T) for his approval.

This PAT was tasked to develop a comprehensive plan to reengineer specific elements of the contract administration process within DoD to make it more efficient and effective while balancing the nation's interest in socioeconomic goals and ensuring integrity of the contract administration process.

According to the team's charter, three goals were to guide their reengineering efforts:

1. Reduce the time it takes to accomplish contract administration tasks (cycle time).
2. Balance the need for a particular policy or procedure to protect or further a Government interest with the need for efficiency and cost savings, and with the need to innovate, and to manage risk rather than avoid it. Encourage risk management rather than risk avoidance, while ensuring that the Government does not incur undue risk.

3. Eliminate non-value added activities. Ensure that oversight (both internal and external), when necessary to ensure compliance with enunciated policies or requirements, is performed in the least intrusive manner, consistent with the protection of the public trust.

According to Colleen Preston, DUSD(AR), "...we need to move from inspection to process control. We need to be out of the business of inspecting products and contractors, period." [PRESTON 95A] The intrusiveness of government oversight and inspection comes at a price, too. According to a study by Coopers and Lybrand and The Analytical Sciences Corporation (TASC), it costs the government about 18 percent more for the extra overhead, primarily attributed to the requirements imposed by the DoD's quality assurance standard, MIL-Q-9858A [PRESTON 95A, TASC 94]. A driving factor is that requirements imposed by MIL-Q-9858A are different from anything most contractors use in their commercial divisions.

Another driver is the Truth in Negotiations Act, or TINA, which requires contractors to collect cost and accounting data for every product. Since this is not a commercial practice, the extra costs the contractors must bear to develop and maintain these cost accounting systems shows up as added costs to the DoD.

The recommendations of this PAT were briefed to the Under Secretary of Defense (Acquisition and Technology) in early calendar year 1995, and specific decisions and actions should be forthcoming within several months (judging the time from the previous PATs on Military Specifications and EC/EDI).

In addition to the efforts underway by these Process Action Teams, the search for innovation is being vigorously pursued in the Joint Staff under the leadership of Admiral Owens.

JROC – FORGING AHEAD INTO A NEW PARADIGM

The Joint Requirements Oversight Council, or JROC, has traditionally been a relatively benign stop for a major program en route to a Defense Acquisition Board (DAB) milestone decision. So benign,

in fact, that the JROC isn't even mentioned in The Joint Staff Officer's Guide 1993 [JSOG 93], the tome which details Joint Chiefs of Staff (JCS) staffwork processes. The JROC is chaired by the Vice Chairman of the JCS--currently Admiral William Owens--and its members are the Vice Chief of Naval Operations, the Vice Chiefs of Staff of the Army and Air Force, and the Assistant Commandant of the Marine Corps [TRUSELA 93]. Until recently, the JROC's main purpose was to get a joint "seal of approval" or validation of the requirements of an acquisition program and to ensure no duplication of effort between the Services.

Admiral Owens recognizes the collective wisdom and talent of the senior leaders comprising the JROC, and has chosen to apply this expertise to wrestling with more contentious joint warfighting issues rather than relying on the traditional Service staff methods of conducting mission area analysis [GRAHAM 94, MATTHEWS 94]. According to a recent guest lecturer at the National War College, the JROC is now meeting for about 30 hours per month instead of what used to be its normal workload of about 3 to 4 hours per month.

Under Admiral Owens' leadership, the JROC has expanded its role and initiated a broad assessment of military capabilities. Called the Joint Warfighting Capability Assessments, or JWCA, Admiral Owens has identified nine key mission areas to be assessed for the current state of joint warfighting capability [OWENS 94]. These areas are shown in Chart 6:

Chart 6: Key Mission Areas Being Assessed By the JROC

- Strike
- Ground Maneuver
- Strategic Mobility and its Protection
- Air Superiority
- Deter/Counterproliferation of Weapons of Mass Destruction
- Command and Control and Information Warfare
- Intelligence, Surveillance, and Reconnaissance
- Overseas Presence
- Joint Readiness

Each of these assessment areas is sponsored by one of the Joint Staff offices, and the participants in each area are drawn from the Joint Staff, the Services, the Office of the Secretary of Defense, the CINCs (Commanders-in-Chief of the unified and specified commands), Defense Agencies,

and other key stakeholders. The desired end result of this assessment process is to have a direct impact on the Defense Planning Guidance to be issued each Spring beginning in 1995. To support this schedule, Admiral Owens has kept to an aggressive schedule visiting the CINCs, the Defense Resources Board, and preparing for In-Process Reviews of each JWCA area. This process will also provide a substantive input to the JCS Chairman's Program Assessment (CPA) late each summer, giving the Chairman's joint warfighting assessment of the Service-recommended programs. This is a new approach--until this year, the CPA was basically a rubber stamp of the Service Program Objective Memorandum (POM) input. Now, the Chairman will weigh in with his own (and perhaps divergent) recommendations to the SECDEF, based upon CINC inputs.

Although this new JWCA process will provide a valuable joint warfighter's view, it will be interesting to see how it impacts the Services' planned program inputs during fiscal year 1995. From an acquisition perspective, will the JWCA validate current major weapon systems currently under development, or will it flush out a new priority of existing programs? Will some of the requirements for any major programs decline or fall off the table? Have the CINC Integrated Priority Lists (IPL) been an accurate indicator of joint warfighting priorities for acquisition programs?

What About "Purple" Money?

The Goldwater-Nichols Act of 1986 strengthened the role of the Chairman and Vice Chairman of the JCS, and emphasized the need for increased jointness in our warfare. However, the individual Services retain the key responsibility to organize, train, and equip the military. In the past, the allocation of funds to the Services has led to Service parochialism and a desire for each Service to "protect its TOA," (Total Obligation Authority) so its share of the pie doesn't shrink. Might there be a move to allocate "purple" (i.e., *not* Air Force, Army, or Navy) money to the JCS or OSD to execute joint acquisition programs?

Interestingly, many of the early post-World War II reforms were aimed at reducing the power of the independent military services and concentrating authority in the civilian Secretary of Defense.

Since the Goldwater-Nichols Act in 1986, the emphasis on joint operations and the Joint Staff has focused increasing attention on the necessity for the military -- via the warfighting Commanders in Chief (CINCs) and the Joint Staff -- to weigh in on major issues. In fact, the ongoing Enhanced JROC's revolution in military affairs process could spawn some innovative new approaches to investing in joint warfighting capabilities. However, the military Services currently have the mission to "organize, train, and equip" our nation's forces. It's foreseeable that a truly joint program could emerge which would garner support for joint management, including "purple" money being allocated from Congress instead of funneling through the individual Services.

FEDERAL ACQUISITION STREAMLINING ACT OF 1994 (FASA 94)

"The current system has cost too much, has involved too much red tape, and has ill-served both the taxpayer and industry. The Federal Acquisition Streamlining Act of 1994 (FASA) was a direct attack on a procurement system that had gone haywire."

- Congressman Clinger, Chairman of the House Committee on
Government Reform and Oversight [CLINGER 95B]

President Clinton signed the Federal Acquisition Streamlining Act (FASA) of 1994 on 13 October 1994. This legislation, Public Law 103-355, is the first major rewrite of federal procurement laws in a decade, and it revises over 225 statutory requirements [CORBIN 95]. Stressing his commitment to acquisition reform, President Clinton noted that "One of the most important things we've had to do is to face the mind-boggling difficulty of procurement reform...The bureaucracy that was supposed to shrink in the last decade instead grew like Godzilla. Eliminating these kinds of abuses and excesses has been in my plan since the day I came to Washington...When I took office, this Government was literally riddled with rules and regulations that made absolutely no sense." [CLINTON 94]

President Clinton cited a painful example of the need to reform acquisition. "In the midst of the Gulf War, our troops couldn't buy two-way Motorola radios they badly needed because Motorola didn't keep detailed enough books to meet the procurement regulations. No sensible company in the international marketplace would have done what it took to meet these regulations. So what happened? The Japanese had to buy them for us. It was pretty embarrassing." [CLINTON 94]

"In addition, this reform will cut out the excessive need for separate industries, one for civilian products and one for defense products. That will help to diversify our economy. It will allow defense industries to compete and win in the global marketplace. The world is still a very dangerous place, and this procurement reform ensures that our fighting men and women will have the highest quality weapons and equipment they need, while encouraging the same companies to compete in commercial enterprises." [CLINTON 94]

KEY PROVISIONS OF FASA 94

FASA 94 is a daunting 167 pages of legalistic maze addressing many aspects of both military and civilian acquisition throughout the federal government. Some old roadblocks are eliminated, and some new ones created. On balance, this Act is a major step in the right direction to reform the way the government purchases goods and services. The Act directed that appropriate regulatory changes be written and published in the Federal Register within 210 days of enactment. The Administration, under the leadership of Dr Steven Kelman at OFPP, is working to accelerate and even beat the Act's deadline. OFPP has put together teams of procurement specialists to work full time to draft the new regulations. Rather than the old sequential draft and review process for developing regulations, affected civilian and military agencies are reviewing the team's work simultaneously. All 25 new rules are on track to be published in the Federal Register by March 1995, followed by 60 days of public review and comment.

It is beyond the scope of this paper to exhaustively examine all the detailed provisions included in this Act, but there are some major areas which will impact defense acquisition that I'd like to highlight here.

Simplified Acquisition Threshold

FASA 94 modifies 15 statutes to remove nearly all restrictions on purchases less than \$100,000. Federal agencies will now be able to use simplified procedures for soliciting and evaluating bids on these

purchases, instead of using the more detailed "full and open competition" procedures which are currently required on purchases over \$25,000. This is expected to speed procurements by substantially reducing the staffwork required for recordkeeping on over 46,000 contracts per year [CORBIN 95]. This provision is tied, however, to full implementation of electronic commerce. Initially, the threshold will rise from \$25,000 to \$50,000. This will be raised to \$100,000 once agencies begin converting to electronic data interchange.

Increasing the small purchase threshold to \$100,000 was a key objective of the DoD and OFPP. According to Mrs Colleen Preston, DUSD(AR), this will allow the DoD to "use simplified procedures for 99 percent of our contract actions, which by the way account for only 16 percent of our dollars, freeing up our well trained contracting officers and senior buyers to work on that 1 percent of our contracts that encompass 84 percent of our dollars." [PRESTON 95A]

Electronic Commerce

FASA 94 calls for the creation of a government-wide EDI network, called the Federal Acquisition Network (FACNET), within five years. "EDI allows organizations to generate, receive and process data with little or no human intervention. EDI networks can automatically update inventories, issue material releases against open purchase orders, invoice customers, pay suppliers, generate bills of lading and advise customers about shipping." [CORBIN 95]

Federal agencies are strongly incentivized to aggressively pursue EDI, because FASA 94 legislated that the use of EDI is a prerequisite to raising an agency's simplified acquisition threshold from \$50,000 to \$100,000.

Pilot Programs

FASA 94 allows the OFPP to establish 13 pilot acquisition programs to experiment with alternative procurement techniques. DoD will have five pilot programs, the Federal Aviation Administration will have one, NASA will have one, and the OFPP will have six. The DoD programs are

for the Joint Primary Aircraft Training System; a commercially derived aircraft; a commercially derived engine; direct-attack munitions; and a fire-support tactical trainer. FASA also allows the OFPP to waive specific statutes for up to six additional pilot programs. The law allows agencies to apply any of the FASA 94's provisions concerning commercial products to non-commercial products procured under the pilot programs.

Commercial Products and Practices

FASA 94 expands the definition of "commercial items" to include not only products customarily used by the general public, but also certain commercial products and services which use emerging technology that may not be currently available in the commercial marketplace. The new law encourages federal agencies to purchase more commercial off-the-shelf items instead of products designed to government-unique specifications.

The law also establishes a \$500,000 threshold below which cost data is not required. This threshold will be adjusted for inflation every five years. In addition, for commercial products, the law waives prime contractor and subcontractor recordkeeping, reporting and compliance certification requirements under several statutes, including the Contract Work Hours and Safety Standards Act; the Drug-Free Workplace Act; the Clean Air Act; and the Federal Water Pollution Control Act [CORBIN 95].

The use of "purchase cards" -- similar to consumer credit cards -- shows promise of vastly streamlining what are termed "micro-purchases," those purchases under \$2,500. Instead of processing government paperwork, these purchase cards allow quicker and cheaper procurement of millions of small dollar value item. According to Steven Kelman, the government makes nearly ten million purchases under \$2,500 each year. He also states that the government saves, on average, \$54 every time we use a purchase card instead of using the extra paper-intensive bureaucratic steps [KELMAN 95A]. Not only can we save money, but procurement lead times can be slashed by weeks. Kelman also notes that, "The supply operation at the Pentagon was able to absorb a 40 percent cut in purchasing

staff thanks to the expanding use of the card from 500 actions in FY93 to an estimated 16,000 actions in FY95." [KELMAN 95A]

THE LEGISLATIVE HORIZON: FASA 1995

While FASA 94 provided some much-needed statutory relief in many areas, many have noted that regulatory reform is needed even more. Congress is eager to continue marching down the acquisition reform path, and has requested DoD and OFPP to present proposed legislation to be considered in 1995. Congressman William Clinger, Chairman of the House Committee on Government Reform and Oversight, introduced the FASA 95 bill on 24 February 1995. A series of hearings was initiated on February 28, 1995, by Congressman Stephen Horn, Chairman of the House Subcommittee on Government Management, Information, and Technology to begin shaping the FASA 95 legislation.

Ms. Colleen Preston, DUSD(AR), noted at the hearing that, "...the Department believes FASTA [94] gave us 95% of the authority we need to reengineer the acquisition process..." [PRESTON 95B], stressing that the Department was vigorously working on the implementing rules and regulations. She also noted plans for an aggressive training schedule to quickly propagate the new rules and business procedures throughout the government later this year.

One area stressed by Steven Kelman, Director of OFPP, was the need to curtail protests and litigation. He noted that many contractors feel that "because public monies are being spent on the work, they inappropriately feel they have a right to perform it. This ignores the interests of taxpayers in assuring good performance and good prices. As a result, while "protests" -- challenges to contract awards -- are unheard of in the commercial marketplace, they have become a problem to our system." [KELMAN 95B] In particular, Dr Kelman noted that 45% of information technology procurements over \$25 million are being protested. The rapid pace of technology and the complexity of the acquisition process incentivize losers to protest, thereby delaying the procurement while the state of technology marches on. Asking for legislative assistance in removing the ease and incentives for firms to protest,

Dr Kelman stated that, "This level of litigation is unacceptable. The Administration asks your help in curbing it." [KELMAN 95B]

The General Accounting Office believes that procurement reform is on the right track, and testimony by Robert Murphy, GAO's General Counsel, outlined several areas that FASA 95 could make a difference. He suggested that the committee consider "raising the simplified acquisition threshold from \$100,000 set forth in FASA [94] to \$200,000. This would result in simplifying an additional 11,000 procurements worth over \$1.5 billion, based on fiscal year 1994 data." [MURPHY 95] Mr Murphy also urged accelerating the use of simplified acquisition procedures by cutting the link between implementation of FACNET and the simplified acquisition threshold established in FASA 94.

Acquisition reform seems to be gaining momentum, not running out of steam. The legislative horizon for 1995 appears to hold a continued push for streamlining the acquisition process towards greater use of commercial business practices.

THE FUTURE CHALLENGES FACING DEFENSE ACQUISITION

Defense acquisition has faced many challenges over the past decades, and no single miracle cure exists to fix the system overnight. However, given today's post-Cold War environment, there are some key challenges that DoD will need to grapple with in the coming months and years. I've identified four key challenges that I believe will provide the real opportunities to make major improvements in the DoD's acquisition system:

1. Adopt commercial business practices
2. Reduce cycle time
3. Provide stable funding
4. Focus on cost and affordability

ADOPT COMMERCIAL BUSINESS PRACTICES

We need to untangle and unstrangle the acquisition process from the web of complex laws, rules, and regulations. We should strive to make the Government a **preferred** customer, not a **rejected** customer whom nobody wants to do business with. FASA 94 took some excellent steps in the direction of streamlining the Government's business practices to align more closely with its commercial partners. Raising the simplified acquisition threshold from \$25,000 to \$100,000 exempts thousands of our smaller procurements from detailed "full and open competition" procedures that consume excessive staff hours just on record-keeping. Establishing EC/EDI standards and accelerating the full implementation of electronic commerce will also save time and money.

Another potential opportunity is to tackle DoD's cost accounting standards levied on contractors, which are often cited by industry as the main reason many firms refuse to do business with the Government.

REDUCE CYCLE TIME

The next major challenge is to reduce the cycle time of our procurements. This includes slicing through non-value added paperwork for routine procurements for small office supplies, as well as reducing the time from concept exploration to fielding a warfighting capability in a major weapon system. On the larger scale, we won't be able to afford long, drawn-out Demonstration/Validation or Engineering and Manufacturing Development phases to get to the production of a weapon system. Commercial firms have long been aware of this concept -- the need to get a new product to market quickly. By nurturing a separate defense industrial base over the past several decades, distinct from the commercial industrial base, we've ended up stuck in a mind-set that emphasizes performance over cost, and believes that slow, one-at-a-time production rates on specially-designed production lines are the way we should continue to do business. ***Wrong!*** We need to instill some commercial principles into our process to reduce cycle time.

Another driving reason to reduce cycle time is the increasing uncertainty of the nature of future warfare. Requirements for effective systems in the "battlefield of the future" are unclear and may emerge rapidly, increasing the need to move from requirements to new weapon systems more rapidly.

PROVIDE STABLE FUNDING

A major cause of disruption in an acquisition program is continuous change in a program's funding. In some cases, the perturbations are caused by Congress legislating an acceleration or deceleration of funds or buy profiles for a given system. In many other cases, the perturbations result from OSD- and Service-generated budget cuts and reallocations. In some program offices, there are staff members who spend all their time responding to "what-if" drills levied by higher headquarters.

One major disconnect is the dichotomy between the milestone decision process, as administered by the Defense Acquisition Board, and the resource allocation process. It is possible -- and it *really does happen* -- that a program can prepare for six months to gain a successful milestone decision from the DAB, then within weeks the decision is virtually nullified due to a purely budgetary decision issued as a Program Budget Decision. Sometimes it appears that the right hand may not be talking to the left hand. An important step towards providing stable funding to program managers would be to integrate -- or at least synchronize -- the milestone decision process with the funding allocation process. Strangely enough, the Under Secretary of Defense for Acquisition and Technology does not control the funds; the Comptroller does. The lack of control over funding has been cited as one reason for the rapid turnover of Defense Acquisition Executives.

Another option to foster funding stability is through joint and international programs, by enlarging the base of support and the potential sources of funding.

FOCUS ON COST AND AFFORDABILITY

Declining defense budgets and ever-tighter federal budgets will continue to force cost to the forefront of decisions. We must move stressing *performance* as the key decision parameter and focus

more on *cost*. One example of this is the Tier II Unmanned Aerial Vehicle (UAV) program, where the key requirement is a flyaway cost of \$10 million. Developers may add options to enhance performance, but the key design criteria is cost.

Much lip service has been paid to life cycle cost, but it still is not used often as a primary decision parameter. Life cycle costs are important because they take into account not only the acquisition cost (including research and development, test and evaluation, and procurement) but the cost of ownership. With life cycles frequently going well beyond 20 years, the front-end costs of acquisition represent as low as 20%-30% of the total life cycle cost of a weapon system.

CONCLUSIONS

"Our goals are three: streamline the process, obtain good quality and fair prices, and achieve partnership between government customers and industry suppliers. Moving 'from red tape to results' was the message of the NPR -- and is the common theme of our many procurement reform projects."

- Dr Steven Kelman, Director of the Office of Federal Procurement Policy [KELMAN 95A]

The time is ripe for reforming the defense acquisition system. Today's combination of declining defense budgets, the emphasis on commercialization of the defense industrial base, and the reassessment of military force structures combine to provide an opportunity for real change to occur. There's also a strong spirit of bipartisan cooperation between the Democratic administration and the Republican Congress to work together to reform federal acquisition.

Some major changes are already happening in defense acquisition. We're rapidly moving from a paper-intensive procurement process to one based on electronic commerce and information technology. We're trying to push the system hard to rely on commercial standards instead of special military specifications and military standards. We're making thousands of small purchases with consumer-type "purchase cards," and we're marching towards more commercial business practices.

The acquisition reform wheels are in motion, and accelerating the implementation of both spirit and intent of the Federal Acquisition Streamlining Act of 1994 will help gain momentum. As the recommendations of the various PATs are transformed into specific actions, we may start chipping away

at the old culture and infuse new innovation and business processes. Nevertheless, we'll still face some daunting challenges as we proceed into the future of defense acquisition. The sheer weight and inertia of the government bureaucracy -- "But we've always done it this way" -- is difficult to move and change, but we must persevere. We must continually strive to adopt commercial business practices where appropriate, reduce the cycle time to field new weapon systems, provide stable funding to our programs, and intensify our focus on cost and affordability. In keeping with the precepts guiding the JROC's revolution in military affairs, we must seek out ways to revolutionize our business practices. This will require us to break out of old paradigms to discover new and innovative ways to do things.

In his speech before the Industrial College of the Armed Forces in January 1995 (published for public release), the Honorable Paul Kaminski, Under Secretary of Defense (Acquisition and Technology), shared his views of the challenges facing defense acquisition [KAMINSKI 95]. He closed with a still timely thought from Robert F. Kennedy:

*Some look at things as they are and ask **why**.*

*Others look at things as they could be and ask **why not**.*

*I invite you to join me in asking **why not**.*

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